

**The University of Texas
at Tyler**

Account Reconciliations Audit



August 2015

THE UNIVERSITY OF TEXAS AT TYLER
OFFICE OF AUDIT SERVICES
3900 UNIVERSITY BOULEVARD
TYLER, TEXAS 75799

The University of Texas at Tyler
Departmental Account Reconciliations Audit
Fiscal Year 2015

BACKGROUND

The University of Texas at Tyler (UT Tyler) converted to the PeopleSoft accounting system in May, 2014. Account reconciliations provide an important review of transactions to compare university accounting records with departmental documentation. Monthly reconciliations are required to be completed using the PeopleSoft reconciliation reports in accordance with guidelines provided by the UT Tyler Budget and Financial Reporting Office. The guidelines were originally developed by the University of Texas System. Reconciliation procedures consist of the following steps:

- The Budget and Financial Reporting Office sends an email to budget authorities that the month has closed and the reconciliations should be prepared by a designated due date.
- The reconciler downloads a Monthly Reconciliation Report that lists all transactions by cost center / department.
- The reconciler and approver review the transactions and verify the information to supporting documentation including revenue reports, invoices, time sheets, etc.
- Any differences are reported to the Budget and Financial Reporting Office for follow-up investigation and correction.
- The “Summary Financial Report” is certified by the reconciler and approver as evidenced by their signature and dates.

This audit was included in the Fiscal Year 2015 Audit Plan as approved by the Institutional Audit Committee.

AUDIT OBJECTIVE

The purpose of the audit was to determine if account reconciliations were in compliance with UT Tyler guidelines regarding timeliness and documented completion and approval of account reconciliations.

STANDARDS

This audit was conducted in accordance with guidelines set forth in *The Institute of Internal Auditor’s Standards for the Professional Practice of Internal Auditing*.

SCOPE AND METHODOLOGY

To accomplish the audit objective noted above, a sample of 40 cost centers was selected from budget authorities using the following criteria:

- 15 budget authorities with the largest dollar amount of transactions from September 1, 2014 through April 30, 2015 budgets,
- 15 budget authorities with prior account reconciliation issues, and
- 10 budget authorities selected at random.

From the 40 budget authorities selected, March 2015 reconciliations were requested for the cost center with the largest dollar amount of transactions. Testing was conducted to determine if the reconciliations had been completed within two months of the month closing in PeopleSoft and to verify that the Summary Financial Report was signed and dated by both the preparer and approver.

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AUDIT RESULTS

According to the University of Texas System Audit Office, “A *Priority Finding* is defined as an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole. Standard factors for determining a *Priority Finding* have been established in three categories: namely, *Organizational Controls, Quantitative Risks, and Qualitative Risks*”. Priority Findings are reported to the UT System Audit, Compliance, and Management Review Committee. This audit resulted in one Reportable Finding, but no Priority Findings.

Observations and Recommendations:

Reconciliations were completed as required with isolated exceptions noted in the following table.

Guideline Requirement:	Unit Codes with Exceptions	
Reconciliation completed by June 20th	10	25%
Reconciliation dated by the preparer.	3	7.5%
Reconciliation signed by the approver.	1	2.5%
Reconciliation dated by the approver (therefore unable to determine if the reconciliation was completed timely)	4	10%

Failure to complete and approve timely account reconciliations could allow incorrect or fraudulent transactions to be undetected and monthly financial reports used by executive management to be incorrect. Detailed observations have been communicated to the individual budget authorities and executive management.

Recommendation: Budget authorities and support staff should be reminded that they are responsible for ensuring that all accounts in all assigned cost centers, including institutional and revenue, are reconciled in accordance with the guidelines. A contact person should be provided to assist the department with the reconciliation procedures.

Associate Vice President for Financial Management Response and Implementation Date: An e-mail will be sent to budget authorities and administrative assistants by September 30, 2015 to emphasize the importance of completing reconciliations as required. An employee from the Budget & Financial Reporting office will be available to assist with reconciliations as needed.

CONCLUSION

UT Tyler budget authorities are generally in compliance with the account reconciliation requirements with isolated exceptions. We appreciate the assistance of the budget authorities and administrative assistants during this project.